

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

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July 1, 2003

FROM: RICHARD N. LARSEN
Treasurer-Tax Collector/Director of Central Collections

SUBJECT: MEMORANDUM OF UNDERSTANDING WITH FRANCHISE TAX BOARD

RECOMMENDATION: Approve Memorandum of Understanding (MOU) with the State of California's Franchise Tax Board for the Court Ordered Debt Collection Program to facilitate the collection of fines, victim restitution, other fees and judgments.

BACKGROUND INFORMATION: The State of California's Franchise Tax Board (FTB) operates a special collection program for court-ordered payments, which is made available only to local governments. Since 1999, Central Collections has used this program to supplement its own collection efforts. The FTB's program is unique in several ways. First, because of its own tax collection powers, the FTB can match a debtor's Social Security Number with his/her tax returns to assist in locating a debtor's banking information. Secondly, because of its inherit powers under the Revenue and Taxation Code, this enables the FTB to perform bank sweeps (levies) without the need for further adjudication.

The FTB program will be used by Central Collections for the collection of court-ordered fines and related fees. Central Collections has found this program useful in limited situations where other skip-tracing techniques have been unsuccessful, or a debtor has otherwise avoided detection. This program has been used as a secondary collection option after Central Collections has exhausted its collection efforts. An average of \$223,000 has been collected per year by the FTB, which equates to a 4% recovery rate.

The new MOU, attached, is required to incorporate amended language requested by the State. The term of this agreement shall become effective upon its execution and continue for the term of the program, or through such date as agreed to in writing by both parties. This program is separate from the FTB's Tax Intercept Program, which allows agencies to intercept debtor's tax refunds that are governed by a separate MOU.

REVIEW BY OTHERS: This item has been reviewed by County Counsel (Dawn Stafford, Deputy County Counsel) on May 1, 2003; and the County Administrative Office (Tracy Lindsay, Administrative Analyst) on May 5, 2003.

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FINANCIAL IMPACT: The Franchise Tax Board charges a commission of 15% on all monies collected, which equates to approximately \$33,500 per year. This cost is reimbursed to the County under Penal Code Section 1463.007. Thus, there is no local cost for FTB collection costs.

COST REDUCTION REVIEW: The County Administrative Office has reviewed this agenda item and concurs with the Department's proposal and recommends this action because the program produces revenue with no local cost.

SUPERVISORIAL DISTRICT(S): All

PRESENTER: Richard N. Larsen, Treasurer-Tax Collector and Director of Central Collections, 387-6383